

BILL # HB 2111/HCR 2004

TITLE: workers' compensation; controlled substances;
alcohol

SPONSOR: McComish

STATUS: House Engrossed

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FISCAL ANALYSIS

Description

HB 2111 is conditional upon the enactment of a constitutional amendment (HCR 2004) that allows workers' compensation benefits to be denied or limited when it is determined that the use of alcohol or illegal drugs by the worker was a substantial cause of the injury or death. This bill by itself only changes the burden of proof and provides clarification for the provision of medical benefits.

Estimated Impact

HB 2111, by itself, has no direct fiscal impact on the state. When considered with HCR 2004, a constitutional amendment that would allow denial of workers' compensation benefits, there is potential for a fiscal impact; however, the exact impact cannot be determined. Some assumptions may be made as to how many cases are denied and how that might affect the provision of state services based on past patterns and state and national eligibility data. To the extent that this set of denied workers' compensation claims would reflect these patterns, some estimation of fiscal impact can be made.

The Arizona Department of Administration (ADOA) operates a self-insured worker's compensation system. Denying these claims may create a savings of up to \$215,000 in the program. At the same time, there is some potential for increased state costs by increasing Arizona Health Care Cost Containment System (AHCCCS) and Temporary Assistance for Needy Families (TANF) Cash Assistance roles with individuals denied benefits. This cost could be between \$575,000 and \$945,000.

Analysis

There are both potential costs and savings associated with this bill and constitutional amendment. Neither of these potentials, however, is easily quantified. Potential savings result from limiting the number of worker's compensation claims paid by ADOA. The department reported that total FY 2005 workers' compensation payments were \$21.7 million. The department has no estimate of how many claims would be denied under the provisions of this bill. The State Compensation Fund of Arizona (SCF) reports that from April 2004 to April 2005, 566 claims, or about 1% of total claims, were denied for use of controlled substances. Under that assumption, savings in the ADOA system could be about \$215,000; however, any savings would be reduced by the cost of testing claimants. Depending on drug test policies, however, the cost of testing may be greater than any saving, resulting in a net cost.

A potential cost of this measure would be adding new cases to the AHCCCS roles, either to treat the claimed injury or as a result of reduced income due to unemployment. This potential cost, however, is also hard to quantify. Based on the SCF estimate of denied claims, it seems reasonable to assume this measure may deny claims to between 1,000 and 1,500 claimants in all worker's compensation plans statewide.

Simply being unemployed, however, does not qualify a person for AHCCCS. Generally, unless a person is eligible at the time the medical treatment is received, AHCCCS would not cover that treatment. Further, an amendment to the bill clarified that any treatment received prior to the initial determination of ineligibility would still be covered by workers' compensation. According to ADOA, determining whether the use of a controlled substance was a significant contributing factor could take several weeks. Therefore, unless the injured person was already eligible for AHCCCS but not enrolled, and the use of controlled substances was determined to be a significant contributing factor prior to receiving medical treatment, this measure would not produce a cost to the state.

Statewide, 10% of adults are enrolled in AHCCCS, and based on census data, as many as 23% of households may be eligible. If 23% of the potential 1,000 to 1,500 denied workers' compensation claims were eligible for AHCCCS and 10% of the individuals were already enrolled, this could affect 125 to 200 individuals. Based on average capitation rates, the potential impact could be about \$275,000 and \$445,000.

The second possible portion of the cost would come from workers who join AHCCCS because they eventually become eligible for benefits because they are not able to work and receive no workers' compensation benefits for an extended period, as opposed to being immediately eligible for AHCCCS. However, this is not likely to create much, if any, cost to the state. The average SCF workers' compensation claim is only about \$14,000 over the entire life of the claim. ADOA reported an average claim of about \$7,300 for 2005. Under the current KidsCare program in AHCCCS, a family of 4 is eligible for health coverage at incomes below 200% of the Federal Poverty Level or \$40,000. Single adults can receive services at incomes below \$9,800. Therefore, most of those denied benefits under this bill would be eligible for AHCCCS even with workers' compensation benefits and would not represent an additional cost to the state.

Similarly, decreased income due to the denial of workers' compensation benefits could add families to the TANF Cash Assistance roles. Because the income eligibility requirement is so low, only single-income families who are denied workers' compensation benefits and are unable to work would likely qualify for TANF. Based on data from the U.S. Census Bureau, between 9% and 15% of households are single-income families, with no one able to replace a lost salary. Based on this data, between 90 and 150 of the 1,000 to 1,500 potentially denied claims could be affected. The estimated impact would be between \$300,000 and \$500,000.

Between the estimated cost of \$275,000 to \$445,000 in AHCCCS and \$300,000 to \$500,000 in TANF Cash Assistance, the total estimated impact on state services could be between \$575,000 and \$945,000.

Local Government Impact

None

2/15/06